



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0274	Title:	Revise laws relating to state land sales, trades, leases, and administration
Primary Sponsor:	Laible, Rick	Status:	As Introduced

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
Expenditures:				
General Fund	\$166,921	\$78,009	\$79,959	\$81,958
State Special Revenue	\$51,060	\$55,145	\$59,556	\$64,321
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance	(\$166,921)	(\$78,009)	(\$79,959)	(\$81,958)

Description of Fiscal impact: This bill re-assigns appraisal duties on state water project land from the Department of Natural Resources (DNRC) to the Department of Revenue (DOR). This bill requires the DOR to perform market appraisals on state projects cabin sites, require mineral resource assessments and market analyses for any surface reclassification, and to appraise additional properties owned by the Department of Fish, Wildlife and Parks (FWP).

FISCAL ANALYSIS

Assumptions:

1. The effective date of the proposed law is July 1, 2007.

Department of Fish, Wildlife and Parks (FWP)

2. Current law exempts payments in lieu of taxes (PILT) by FWP for game or bird farms, fish hatcheries, or parks lands. This legislation removes that exemption.
3. FWP currently owns 303,811 acres in fee title of which 30,609 acres are exempt from PILT. (303,811 – 30,609 = 273,202)

4. During the 2006 tax year, FWP paid \$455,736 on 273,202 acres, or an average per acre cost of \$1.66812 per acre.
5. If this legislation is passed, tax liabilities for FWP will increase by \$51,060. $(30,609 \times \$1.66812 = \$51,060)$
6. FWP tax payments increase approximately 8% annually.

Department of Natural Resources and Conservation (DNRC)

7. Water Resources Division, State Water Projects Bureau was given control of the cabinsite leases during the last ten year cycle and has not had the resources to perform appraisals.
8. There are 26 cabinsite leases that would fall under the requirements of this bill to have the Department of Revenue (DOR) perform the market appraisals.
9. For the State Water Projects Bureau to have the resources to perform these appraisals, it would need to request additional appropriation to hire a commercial appraiser to perform this task every ten years at a cost of \$65,000. The \$65,000 is based on paying a qualified market appraiser \$2,500 per site for 26 sites.
10. Section 6 would amend 77-1-403(4), MCA, to require mineral resource assessments and market analyses for any surface reclassification. Under current statute, the DNRC reviews available mineral information only if affected by the surface reclassification. The DNRC does not contract to obtain mineral resource information required to prepare a market analysis. Depending on the mineral resource, such assessments can be costly. The DNRC recently participated in a mineral resource assessment for its Otter Creek properties. The total cost for this review was \$112,830.

Department of Revenue (DOR)

11. The proposed law requires the DOR to appraise water project lands owned by the DNRC and to appraise cabin sites on DNRC water project lands.
12. Current law requires DOR to appraise lands owned by the FWP in counties where FWP owns at least 100 acres. These lands do not include game or bird farms, fish hatcheries, or lands acquired and managed for the purposes of Title 23, Chapter 1, MCA.
13. The proposed law requires DOR to appraise all lands owned by FWP in all counties, including the exceptions listed in the previous assumption.
14. Additional properties requiring DOR appraisal include specialized properties that will require specialist appraisers knowledgeable in the valuation of recreational properties.
15. DOR will require one additional temporary specialist appraiser in FY 2008 only, and one additional permanent specialist appraiser in FY 2008 and subsequent years. This will require 2.00 additional FTE in FY 2008, and 1.00 additional FTE in FY 2009 and subsequent years. The personal services cost would be \$120,069 in FY 2008, and \$60,035 in FY 2009.
16. The work will require extensive travel for the specialist appraisers to properties throughout the state, and additional training for the specialist appraisers at a nationally recognized appraisal institution.
17. DOR will require \$35,052 in FY 2008, and \$17,974 in FY 2009 and each subsequent year in additional operating expenses. Additional operating expenses include \$10,044 per FTE per year for travel, and \$2,184 per FTE per year for training.
18. In FY 2008 DOR will require additional \$11,800 for investment in office equipment and installation charges.
19. Total administrative costs will be \$166,921 in FY 2008 and \$78,009 in FY 2009. A 2.5 % inflation factor is applied in subsequent years.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FWP				
<u>Expenditures:</u>				
Operating Expenses	\$51,060	\$55,145	\$59,556	\$64,321
<u>Funding of Expenditures:</u>				
State Special Revenue (02)	\$51,060	\$55,145	\$59,556	\$64,321
DOR				
FTE	2.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$120,069	\$60,035	\$61,536	\$63,074
Operating Expenses	\$46,852	\$17,974	\$18,423	\$18,884
TOTAL Expenditures	<u>\$166,921</u>	<u>\$78,009</u>	<u>\$79,959</u>	<u>\$81,958</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$166,921	\$78,009	\$79,959	\$81,958
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$166,921)	(\$78,009)	(\$79,959)	(\$81,958)
State Special Revenue (02)	(\$51,060)	(\$55,145)	(\$59,556)	(\$64,321)

Effect on County or Other Local Revenues or Expenditures:

- The proposed law doesn't change FWP's current requirement to pay counties amounts equivalent to foregone taxes on a number of properties excepted under current law (Assumption 4). That requirement gives the FWP director latitude in making those payments.

Technical Notes:

- The title of this bill equates state water project cabinsites to state lands. Section 13 and Section 14 of the bill (amending Mont. Code Ann. §§ 85-1-804 & 805) pertain to lands that were acquired by, and in the name of, the State Water Conservation Board for the construction and operation of state water projects and that are now leased as cabinsites. This property is excluded from the definition of "state land" or "lands" in Mont. Code Ann. § 77-1-101(7) (b) (ii). The title of the bill, however, purports to "revising requirements for land appraisals involving state trust lands" and "revising inventory requirements for state land".

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date